**SMUD****SACRAMENTO MUNICIPAL UTILITY DISTRICT**
The Power To Do More.SM

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November 10, 2004
ET&C 04-331

Corporate Communications
Western Area Power Administration
P.O. Box 281213
Lakewood, CO 80228-8213

RE: Revised Open Access Transmission Service Tariff

Sacramento Municipal Utility District ("SMUD") participated in and made verbal comments at Western Area Power Administration's (Western), November 8, 2004, public meeting regarding proposed revisions to Western's Open Access Transmission Service Tariff (OATT). SMUD provides the following written comments on the proposed revisions to the OATT.

OATT, Attachment J – Section 1.0 (Change of Rates)

Included in Western's existing OATT, Attachment J, is a provision referred to as the "Change of Rates", which allows a Transmission Customer to give notice of its intent to terminate service within 90 days after Western makes an adjustment to its transmission rates. The proposed revision to the OATT eliminates this "off-ramp" language, leaving a Transmission Customer without any option to terminate its transmission service due to a change of rate notice from Western. SMUD objects to the wholesale elimination of this off-ramp language for the following reasons.

Western's Sierra Nevada Region (SNR) in its proposed rates, to commence January 1, 2005, (FRN, Vol 69, No 92, pp 26371-26378), indicated that its proposed transmission rates for the Central Valley Project (CVP), the California-Oregon Transmission Project (COTP), and Pacific Alternating Current Intertie (PACI), will be determined on three components that contribute to the overall rate for the service. The first component (Component 1) is a formula by which Western recovers the revenue requirements for the specified transmission service. The second component (Component 2) consists of any charges or credits associated with the creation, termination, or modification to any tariff, contract, or rate schedule accepted or approved by the Federal Energy Regulatory Commission or other regulatory body, which Western intends to pass on to each appropriate Transmission Customer. The third component (Component 3) relates to charges or credits from the Host Control Area (HCA) applied to Western for providing this service that Western intends to pass through directly to the appropriate Transmission Customer in the same manner Western is charged or credited, to the extent possible.

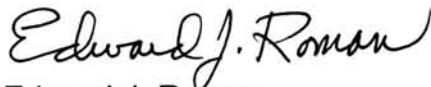
SMUD understands Western's desire to curtail a Transmission Customer's option to terminate a transmission service contract when the existing rate is revised annually by recalculating Component 1, to reflect the most current revenue requirements and load data, in order to establish an updated rate for the year under consideration. SMUD does not agree with Western's plans to eliminate a Transmission Customer's option to terminate a transmission service contract as a result of unanticipated, unplanned, or unreasonable charges associated with the creation, termination, or modification to any tariff, contract, or rate schedule accepted or approved by the Federal Energy Regulatory Commission or other regulatory body. As Western's HCA, SMUD would have knowledge of the costs that Western potentially could pass along under Component 3; however, SMUD recognizes that other Transmission Customers may not have the same level of knowledge.

SMUD suggests that Western reinstall the original language that was eliminated in the proposed revisions to the OATT under Attachment J – Section 1.0 (Change of Rates). SMUD is willing to consider a possible revision by Western of the reinserted language that would prevent a Transmission Customer from terminating a transmission service contract due to rate changes resulting from the annual recalculation of Component 1, but would allow a Transmission Customer to curtail its transmission service contract due to rate change contributions stemming from Component 2 and/or Component 3.

Section 11 of the OATT (Creditworthiness)

Section 11 establishes how the Transmission Customer will demonstrate its ability to make payments and fulfill its financial obligations to Western for service agreements entered into under the OATT. In the proposed revisions to this section of the OATT, Western has made a change that would allow Western, at its discretion, to exercise an option of requiring a Transmission Customer to pay its bills in advance, in situations for which the creditworthiness of the Customer is a concern. SMUD encourages Western to use restraint when requesting advance funding for transmission services, and only when it is absolutely necessary. SMUD supports Western's language that allows for the use of an alternative form of security proposed by the Transmission Customer and if acceptable to the Transmission Provider (Western). SMUD recommends that Western also provides additional language to clarify that in this circumstance it will limit the amount of the required collateral to not exceed the amounts due and payable under the transmission service contract.

Sincerely,



Edward J. Roman
Principal Power Contracts Specialist

Cc: Ms. Jeanne Haas, Western Area Power Administration, SNR